

August 24, 1995
ILR 95-G

Senator Howard A. Stephenson
Utah Senate
319 State Capitol Building
Salt Lake City, Utah 84114

Subject: Printing Purchases

Dear Senator Stephenson:

At your request we reviewed several allegations regarding printing bids at the Division of Purchasing. One allegation reported the bid process for printing was unfair because a certain vendor was not getting notice of choice printing opportunities. Another allegation claimed there was favoritism in the bid selection process and accused a state purchasing agent of being partial to one particular printing business that was allegedly owned by a relative. We were unable to substantiate any of these allegations. In fact, we found in our survey work that the Division of Purchasing has acted fairly and appropriately in notifying vendors of printing requests and soliciting invitations to bid. We could not substantiate the allegation that the purchasing agent was related to the owner of a printing company and showed favoritism in the bid solicitations. Consequently, we feel there is no need for further audit work on these issues.

Bidding Process is Fair and Appropriate

In our review of bid files, we found the purchasing agent for printing purchases followed policies and procedures for bids and awards of printing contracts. There were a few cases where contracts were not awarded to the lowest bidder but in each case there was a reasonable explanation. We also found that the vendor who submitted the allegation was notified by the division of many printing requests during the past year and failed to submit a response on most of

them. Regarding the abortion brochures printing request, the vendor who reported the complaint actually did submit a price quote but was not awarded the contract because they were not the lowest quote and the proposal didn't meet the time frame specifications.

Policies and Procedures Were Followed

We reviewed the bid files of 63 different printing contracts awarded by the Division of Purchasing during the past year. Some of these contracts were awarded after a comparison of written bids submitted by vendors and some were awarded after a review of phone quotes or fax quotes from selected vendors. We found that the purchasing agent in charge of printing purchases followed policies and procedures for conducting the bidding and awarding the contracts.

The procurement code specifies that at least two responsible offerors must independently contend for contracts. The award is made to the offeror submitting the lowest evaluated bid meeting the specifications and time frame. If only one responsive bid is received in response to an invitation for bids, the award may be made to the single bidder if the procurement agent finds the price to be fair and reasonable, and that other offerors had reasonable opportunities to respond, or there is not sufficient time for resolicitation. The code also says that bidders will be given a reasonable amount of time to prepare their bids. This is defined as 10 calendar days unless a shorter time is deemed necessary. In some cases the printing request is urgent and there is not sufficient time to collect and evaluate written bids. If the total purchase amount is between \$2,000 and \$20,000 the procurement agent may solicit bids from a selection of vendors by fax or phone. At least two vendors must be solicited if phone or fax quotes are used. In addition, purchasing agencies may be authorized to collect, evaluate, and select their own bids by phone or fax if the total amount of purchase is less than \$2,000.

Of the 63 files reviewed, there were 43 files where written bids were requested and another 20 files where fax or phone quotes were requested. Of the files reviewed where written bids were received, we found that each printing request had a bid list that included an average of 43 vendors. This means that an average of 43 vendors were contacted and invited to bid for each printing contract. For each of the printing requests reviewed, more than half of the vendors contacted (23/43) did not bother to respond at all. About 20 of the 43 vendors contacted per project did return a response. For each of the 43 files reviewed where written bids were requested, an average of 10 bids were submitted and another 10 vendors returned a "no bid" response. In all of the 63 files reviewed, we found the contract was awarded to the lowest responsible bidder meeting the time frame and the project specifications.

Some printing requests are urgent and the product is needed in less than 10 days. There is not sufficient time to request and evaluate written bids from all of the vendors. In these cases, the state purchasing agent solicits fax quotes or phone quotes from 5 or 6 vendors who can best meet

the specifications and time frame. We reviewed a number of these fax/phone quotes because the bidder selection is subjective to the purchasing agent's knowledge and opinion of the vendors. We suspected that our review would show some favoritism and that the same selection of vendors would be solicited over and over again. On the contrary, our review of 20 fax or phone quotes showed that a total of 46 different vendors were notified and invited to bid for various printing contracts. An average of 5 different vendors were contacted per contract. Some vendors were invited to bid for four or more different contracts but the average was about 2 contacts per vendor for the 20 files reviewed.

Vendor was Notified of Printing Requests

One of the complaints we reviewed was that the Division of Purchasing had overlooked one particular vendor in a number of instances and had not given them an opportunity to submit bids. Our review of the bid list compilation and notification process found this complaint to be inaccurate. We ran a computer match of the vendor's identification code with all of the printing requests processed by the division over the past year. The vendor's code number was matched to 37 printing requests during the past fiscal year. Some of these requests were canceled or postponed before bids were actually solicited. However, we found that the vendor was contacted and invited to bid on at least 26 different printing requests during the past year. Of these 26 requests we could only find 8 cases where the vendor actually submitted a bid. We spoke with the management of this printing vendor and they concurred that these facts appeared to be correct. Most of the time the vendor received bid specifications and an invitation to bid but chose not to respond. We could only find 4 examples during the past year where the vendor was eligible to bid and was not notified.

We did a similar evaluation of the bid solicitation for the competing vendor mentioned in the allegation comparing the exact same project bid files. This competing vendor was included on the same project bid lists 35 times. The bid tabulation sheets for these projects indicate this vendor was actually sent specifications and invited to bid on 27 of the same printing requests. However, of the 27 projects for which the competing vendor was invited to bid, they submitted 22 bid proposals. We found 3 occasions where the vendor was on the bid list and was not notified of the project.

During fiscal year 1994-95 there were approximately 85 printing requests from various agencies processed through the Division of Purchasing. We counted about 137 different vendors on the bid lists of these print projects. Not all vendors are notified for every project. Many printing vendors have specialties and areas of expertise which they prefer to bid on. When the vendors register with the Division of Purchasing, each vendor submits a list of commodity codes for projects on which they would like to bid. We ran a computer match with 10 other comparable printing vendors to see if they had received a similar number of invitations to bid. One vendor was included on bid lists as many as 56 times while another vendor was on bid lists

only 10 times during the year. On average the vendors were included on bid lists 34 times during the past fiscal year. We found that the number of invitations to bid usually corresponded to the number and type of commodity codes listed with each vendor registration. For example, the vendor who was on bid lists 56 times listed 57 commodity codes for which they would like to bid. On the other hand, the vendor who allegedly was overlooked for bid invitations listed only 17 commodity codes and they were included on bid lists 37 times. We compared the number of invitations to bid for 10 similar vendors while holding the commodity codes constant. We found that while the vendor who made the allegation was included on bid lists 37 different times, competing similar vendors were included on the same bid lists an average of 24 times.

One particular printing contract mentioned in the allegation concerned the printing of brochures on abortion for the Department of Health. The vendor who reported the complaint claims they were overlooked by the Division of Purchasing and not given the opportunity to bid on this 'big' printing job. Our review found that this job was actually a small printing request. It was bid out by DOH/Family Health Services because it was urgent and it was less than \$2,000 in total amount. The Division of Printing had nothing to do with this contract. Another fact that we found in the review was that the vendor who reported the complaint was contacted by Family Health Services and did submit a price quote. They were not awarded the bid because they did not submit the lowest bid and in addition, they could not meet the time frame requirements.

No Favoritism was Observed

We could find no evidence of favoritism by the Division of Purchasing in the bid solicitation process nor in awarding the contracts. The allegation we reviewed was that the purchasing agent was showing favoritism to a certain vendor because the agent was related to the owner of the company. Our review showed that vendors were placed on the bid list and invited to submit bids for printing projects according to the commodity codes listed in their vendor registration package. When each vendor registers with the division, they list commodity codes for all of the services and products for which they would like to bid. Each time an agency requests a printing project, a commodity code is assigned to the project and all of the vendors who match that particular commodity code are notified and invited to bid on the project. We found that an average of 43 vendors were contacted for each of the projects we reviewed where a written bid was solicited. In addition, we found that the purchasing agent in charge of printing purchases is not related to anyone at the printing company named in the complaint. We could find no evidence that the vendor named in the complaint has received any favoritism in any way.

This concludes our review of allegations regarding the bidding and awarding of printing contracts at the Division of Purchasing. We hope your concerns have been adequately addressed. If you have any further questions, feel free to contact me.

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Sincerely,

Wayne L. Welsh
Legislative Auditor General

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